



IRAS

Traditional , Roth
,SEP and Simple

Contribution Under 50

- ▶ Traditional IRA \$7,000
- ▶ Roth IRA \$7,000
- ▶ SEP
- ▶ Simple

Contribution over 50

- ▶ \$8,000
- ▶ \$8,000

Roth IRA

- **Tax Benefits:** Contributions are made with after-tax dollars (meaning no immediate tax deduction), but qualified withdrawals are tax-free in retirement. There are no RMDs during the account holder's lifetime.
- **Withdrawals:** Earnings can be withdrawn tax-free if the account has been open for at least 5 years and you're 59½ or older. Contributions (but not earnings) can be withdrawn at any time without penalty.
- **Best For:** Individuals who expect to be in a higher tax bracket in retirement or those who want tax-free income in retirement.



Traditional IRA

- **Tax Benefits:** Contributions may be tax-deductible depending on your income, tax filing status, and whether you or your spouse are covered by a workplace retirement plan. Your investments grow tax-deferred, meaning you don't pay taxes on the gains until you withdraw funds.
- **Withdrawals:** Taxes are paid on withdrawals in retirement at your ordinary income tax rate. Required Minimum Distributions (RMDs) start at age 73.
- **Best For:** Individuals who expect to be in a lower tax bracket in retirement, or those who want to reduce taxable income in the current year.

SEP IRA (Simplified Employee Pension)

TAX BENEFITS: DESIGNED FOR SELF-EMPLOYED INDIVIDUALS OR SMALL BUSINESS OWNERS. CONTRIBUTIONS ARE TAX-DEDUCTIBLE AND GROW TAX-DEFERRED.



CONTRIBUTION LIMITS: HIGHER THAN TRADITIONAL AND ROTH IRAS, UP TO 25% OF COMPENSATION OR \$69,000 FOR 2024, WHICHEVER IS LESS.



WITHDRAWALS: SAME TAX RULES AS TRADITIONAL IRAS; RMDs START AT AGE 73.



BEST FOR: SELF-EMPLOYED INDIVIDUALS OR SMALL BUSINESS OWNERS WHO WANT TO CONTRIBUTE MORE THAN THE LIMITS OF TRADITIONAL OR ROTH IRAS.

Key Features of a SIMPLE IRA

- ▶ A SIMPLE IRA (Savings Incentive Match Plan for Employees) is a retirement plan designed for small businesses and self-employed individuals. It offers a simpler and less costly alternative to more complex retirement plans, like a 401(k). Here's a detailed look at how a SIMPLE IRA works:
- ▶ **1. Eligibility**
 - **Employers:** Any business with 100 or fewer employees who earned at least \$5,000 in the previous year is eligible to set up a SIMPLE IRA.
 - **Employees:** Employees who earned at least \$5,000 in any two prior years and are expected to earn at least \$5,000 in the current year must be allowed to participate.
- ▶ **2. Contribution Limits**
 - **Employee Contributions:** For 2024, employees can contribute up to \$16,000. If they are age 50 or older, they can make an additional catch-up contribution of \$3,500, bringing the total to \$19,500.
 - **Employer Contributions:** Employers must either match employee contributions dollar-for-dollar up to 3% of the employee's compensation or make a non-elective contribution of 2% of each eligible employee's compensation, regardless of whether the employee contributes.

Tax Benefits

- **Employee Contributions:** Contributions are made on a pre-tax basis, reducing the employee's taxable income for the year. Taxes are deferred until withdrawals are made in retirement.
- **Employer Contributions:** Employer contributions are also tax-deductible.
- ▶ **4. Withdrawals**
 - **Taxes:** Withdrawals are taxed as ordinary income. If withdrawals are made before age 59½, they may be subject to a 10% penalty, which increases to 25% if taken within the first two years of participation.
 - **Required Minimum Distributions (RMDs):** RMDs must begin at age 73, similar to Traditional IRAs.

Advantages of simple IRA



Low Cost: Simpler and cheaper to administer than a 401(k) plan.



High Contribution Limits: Allows higher contribution limits than Traditional and Roth IRAs.



Mandatory Employer Contributions: Employers must contribute, which can be a significant benefit for employees.